

INFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

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State Control Ministry

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1. The officials of the State Control Center, because the head of the Center was not of Ministerial rank, were unable to exercise sufficient authority over the financial planning of the various ministries. The official compared the former position of the Center to that of a branch of the Army with a controlling function, headed only by a Colonel, which had to examine and criticize the activities of General officers.
2. The Center developed from the Control Department of the Treasury into an organ controlling the financial activities of Ministries, on the Soviet pattern. This system was found not to work in Hungary, and the majority of the controllers, technicians, and accountants of the Center were transferred to the appropriate Ministries, which left the Control Center with the task of controlling only the general principles of budgetary planning. The Control Ministry is continuing with this more limited function.

Effect of Exports to East on Goods available for West

3. The official admitted that it might happen that even if the Hungarian Government had formally committed itself to deliver certain goods to a western country, it might in an emergency go back on its contract because of prior demands for the goods by a country in the "Mutual Economic Aid Group."
4. Expanding on this point, the official stated that, until recently, Eastern Germany used to be a liability for the other countries of the Bloc, since under the Mutual Economic Aid, East Germany received considerable priority in the export of certain materials and goods for the building up of its industry. This was particularly so in the case of raw materials (the official implied that Hungary had even had to export coal to East Germany).

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East Germany was no longer a liability to the Bloc, and at present the country which required the greatest extent of aid from its neighbors was Rumania. The USSR and Hungary were the chief countries of the Bloc concerned in providing material assistance to the Rumanians.

5. Hungary is supplying installations and steel plants to be erected in North Korea.

Rákosi and Nagy

6. The official stated that the general view of the Hungarian Communist Party was that neither Rákosi nor anyone else was indispensable. It could be said that the control of the Party and Government was through collective leadership, but that Rákosi's personality and experience made him far and away the important figure. There was no discussion in Party or Government circles about a successor to Rákosi.

7. Ernö Gerö was very little heard of nowadays.

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8. Commenting on the Rákosi - Nagy dispute, the official said that when Nagy made his original statement about a liberalization of Hungarian economic policy, he gave no instructions on how exactly this was to be brought about. It was only after about three months that instructions were issued on such matters as norms and a revision of agricultural quotas, etc. In the interim period, chaos had ensued, since no one knew what should be done to carry out the new line, and people were naturally reluctant to take responsibility upon themselves for any radical change. When Nagy finally issued instructions, these were of a far less liberal nature than he had originally intended, since in the meantime he had come to realize that the time was not yet ripe for a radical relaxation in State control over industry and agriculture, or in the tenor of production. Since it would have been impossible for him to reverse his policy, a change of direction was ultimately announced by Rákosi.

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